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ON PAGE 10, PART I**Secrets Sold by Firms' Employees****Security Clearance System Lax,  
Outdated, Senate Probe Finds**

By ROBERT L. JACKSON, Times Staff Writer

WASHINGTON—A government security system that grants top-secret clearances to thousands of defense industry employees each year is lax and outdated, Senate investigators charged Tuesday, calling it the weakest link in protecting U.S. military secrets.

As a result, "some of this country's most guarded high-technology secrets" have been sold to hostile governments by defense contractor employees who have been given high government security clearances, said Sen. Sam Nunn (D-Ga.), acting chairman of the Senate Permanent Investigations subcommittee.

Nunn, in opening hearings on the subject, said a six-month subcommittee staff study found that the government's personnel security program is "inconsistent and fragmented among many agencies." Employees of private defense contractors, the source of many security leaks, are routinely given less scrutiny than are full-time federal employees who also work on

top-secret military projects, he said.

"It is people, not machines, who must safeguard our technology," Sen. William V. Roth Jr. (R-Del.) said. "Padlocks, vaults and codes cannot alone keep our secrets safe."

Nunn released an internal Pentagon report completed last December, which found serious problems in the Defense Department's industrial security program, including "severe manpower shortages." It said that those responsible for granting clearances have been overwhelmed by requests from contractors, which have run as high as 26,000 names a month.

The report said that as many as 900,000 persons now hold clearances designated at the "secret" level, many resulting from routine "national agency checks" conducted more than 20 years ago. Under such checks, government agencies simply examined applicants' files for any adverse information on record

at the time of the review.

Nunn said the subcommittee investigation found that P. Takis Veliotis, a former official of General Dynamics Corp. and now a fugitive living in Greece, had been given a top-security clearance to manufacture nuclear-powered submarines "despite inconsistent and unverifiable information uncovered in his background investigation."

Nunn said Veliotis headed the company's Electric Boat division, which built the submarines, "for several months before he was granted his clearance" in 1977. Veliotis fled the country after he was indicted in 1982 for his alleged involvement in a \$2.7-million kick-back scheme.

**California Cases**

In other examples of breached security, Nunn cited the California cases of William Holden Bell, a former Hughes Aircraft engineer convicted of espionage in 1982, and Christopher J. Boyce, who was convicted in 1977 of passing secrets from TRW Inc. to Soviet agents. Boyce, who later escaped from prison and remained a fugitive for two years, will testify before the subcommittee Thursday.

The deputy director of the Gen-

eral Accounting Office, Bill W. Thurman, citing the huge backlog of clearance applications, testified that background checks by investigators at the Pentagon, the Office of Personnel Management and the FBI are sometimes inadequate.

Another witness, identified only as an Army sergeant, testified from behind an opaque screen about experiences as a double agent

working with Soviet spies. During a 10-year career in which he helped the FBI, the witness said he had been in contact with more than 100 KGB agents from Asia and Europe to New York and Tennessee.

"My case is clear and ample proof of a pervasive, relentless and skilled assault on U.S. military members and government employees by Soviet or Soviet-sponsored intelligence agencies," he said.